

**HEARING TO REVIEW THE PROPOSALS OF
THE UNITED STATES DEPARTMENT OF
AGRICULTURE FOR THE 2007 FARM BILL WITH
RESPECT TO SPECIALTY CROPS AND ORGANIC
AGRICULTURE**

HEARING
BEFORE THE
SUBCOMMITTEE ON HORTICULTURE AND ORGANIC
AGRICULTURE
OF THE
COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES
ONE HUNDRED TENTH CONGRESS
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WEDNESDAY, FEBRUARY 28, 2007

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON HORTICULTURE AND ORGANIC
AGRICULTURE,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The Subcommittee met at 10:00 a.m. in Room 1302 of the Longworth House Office Building, Hon. Dennis A. Cardoza [Chairman of the Subcommittee] presiding.

Members present: Representatives Cardoza, Etheridge, Davis, Mahoney, Gillibrand, Neugebauer, Kuhl, McCarthy, and Goodlatte.

Staff present: Christy Birdsong, Adam Durand, Keith Jones, John Riley, Sharon Rusnak, April Slayton, Debbie Smith, John Goldberg, and Pam Miller.

**OPENING STATEMENT OF HON. DENNIS A. CARDOZA, A
REPRESENTATIVE IN CONGRESS FROM CALIFORNIA**

The CHAIRMAN. We will call this hearing to order. This hearing of the Subcommittee on Horticulture and Organic Agriculture to review proposals of the U.S. Department of Agriculture with respect to specialty crops and organic agriculture will now come to order. We would like to welcome our guest today, Deputy Secretary Conner. I would like to welcome the Members to our first Subcommittee meeting.

Let me start by saying that overall I think the Department's recommendations for the 2007 Farm Bill are very thoughtful, coherent, and innovative. You have sent a crystal clear message that the Department, under the leadership of Secretary Johanns, wants to be a partner with Congress in this process, and I commend your eagerness.

This farm bill will not be an easy one. It is a classic case of "be careful for what you wish for". Continued high farm prices have created a beneficial market scenario for rural America on one hand, but on the other hand will now create a far lower baseline than anticipated for the farm bill that we are tasked with writing. So we have a tough task.

In addition, there are a number of legitimate crops; many covered under this Subcommittee, who have waited far too long to be

come part of the Federal farm program. Specialty crops in particular comprise over 50 percent of the farm gate value in this country but they receive far less than their fair share in Federal support. Organic farmers comprise one of the fastest growing sectors of American agriculture but lag behind traditional crops in representation at the Federal level.

However, let us be clear, these growers are not interested in traditional subsidy programs afforded to the program commodities. In fact, they are dead set against subsidies as you know.

So we are their advocate in Congress. We must be creative and think outside the box. We must look for resourceful and imaginative ways to weave non-traditional commodities into existing programs and create new ones that suit the unique needs of these industries. Unfortunately, being creative and thinking outside the box has historically not been an easy task for Congress. But the Department has made what I believe is a good-faith first step in this process. I applaud many of your recommendations including the proposals for the research title, steps for breaking down trade barriers, and the Department's commitment to controlling invasive pests.

I urge caution on some other proposals such as the elimination of the planting prohibition and the lack of meaningful programs to improve competitiveness, such as the popular Block Grant Program.

I called this hearing in order to give the Subcommittee Members additional time to question the Department on various proposals for specialty crops and organics. There are many folks on the Committee who are not only new to the House Committee on Agriculture, but they are new to Congress in general. I intend to give every Member as many rounds of questioning as Deputy Secretary Conner's schedule allows today. This hearing is meant to be informative, thoughtful, and cordial. Committee Members can utilize this time to ask the Department their thoughts on how certain programs may or may not be implemented in the future.

In turn, the Department can hear from us what recommendations in their proposal are welcome for inclusion in the 2007 Farm Bill and which ones might need just a little bit more work.

[The prepared statement of Mr. Cardoza follows:]

PREPARED STATEMENT OF HON. DENNIS A. CARDOZA, A REPRESENTATIVE IN
CONGRESS FROM CALIFORNIA

Deputy Secretary Conner, thank you for joining us today. Let me start by saying that, overall, I think the Department's recommendations for the 2007 Farm Bill are thoughtful, coherent and innovative.

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This farm bill will not be an easy one. It is a classic case of "be careful what you wish for". Continued high farm prices have created a beneficial market scenario for rural America on the one hand, but on the other hand will now create a far lower baseline than anticipated for the farm bill we are tasked with writing.

In addition, there are a number of legitimate crops, many covered under this Subcommittee, who have waited far too long to become part of Federal farm programs. Specialty crops in particular, comprise over 50% of the farm gate value in this country but receive far less than their fair share in Federal support. Organic farmers comprise one of the fastest growing sectors of American agriculture, but lag behind traditional crops in representation at the Federal level. However, let us be clear,

these growers are not interested in traditional subsidy programs afforded to the program commodities. In fact, they are dead set against subsidies.

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The Department has made, what I believe is, a good faith first step in this process. I applaud many of their recommendations including the proposals for the research title, steps for breaking down trade barriers, and the Department's commitment to controlling invasive pests. I urge caution on some of the other proposals such as the elimination of the plating prohibition and the lack of meaningful programs to improve competitiveness—such as the popular block grant program.

I called this hearing in order to give the Subcommittee Members additional time to question the Department on the various proposals for specialty crops and organics. There are many folks on the Committee who are not only new to the House Committee on Agriculture, but they are new to Congress in general. I intend to give every Member as many rounds of questioning as Deputy Secretary Conner's schedule allows.

This hearing is meant to be informative, thoughtful and cordial. As Committee Members we can utilize this time to learn from the Department their thoughts on how certain programs may or may not be implemented. In turn the Department can hear from us what recommendations in their proposal are welcomed for inclusion into the 2007 Farm Bill and which ones might need a little work.

The CHAIRMAN. With that I would like to turn this over to Ranking Member Neugebauer for his comments and opening statement.

OPENING STATEMENT OF HON. RANDY NEUGEBAUER, A REPRESENTATIVE IN CONGRESS FROM TEXAS

Mr. NEUGEBAUER. I thank Chairman Cardoza for calling our first hearing in the newly-organized Horticulture and Organic Agriculture Subcommittee. The addition of this Subcommittee reflects the interest many in agriculture have in enhancing portions of the farm bill that pertain to fruit and vegetable crops. Members of this Subcommittee represent a wide range of horticultural crop producers across the country who are asking for additional assistance in breaking through export barriers, increasing their markets, and improving research.

I appreciate Deputy Secretary Conner coming today to discuss the Department's proposals for specialty crops in the 2007 Farm Bill. USDA has proposed increased funding for technical assistance for specialty crop programs; the Market Access Program, Specialty Crop Insurance Initiative, and for the purchase of fruits and vegetables for the school lunch programs and other nutrition programs. These proposals fall across a range of USDA agencies and are similar to many proposals put forth by the specialty crop industry in recent years. The 2002 Farm Bill added new programs and funding for specialty crops. The 2004 Specialty Crop Competitive Act authorized an additional \$59 million in discretionary spending for new Block Grants to states for specialty crop promotion and the TASC Program for efforts against pests and diseases. Fruits and vegetables at 30 percent of U.S. crop cash receipts are a large and important segment of the U.S. agricultural market.

I think there is a consensus that there is more we can do and should do through the farm bill to support specialty crop producers, but we also face the reality of working with limited resources. This Subcommittee will need to evaluate the effectiveness of current programs for specialty crops and determine what the most pressing needs are. We will also need input from producers to prioritize how

we use any new resources available so that funds are going where they have the most benefit for the specialty crop sector.

Today's hearing is the first step in our Subcommittee's process. I hope to hear from USDA more about the Department's proposal, and why they believe these proposals would be best uses of our additional resources available in the farm bill for fruit and vegetable producers.

The CHAIRMAN. Thank you, Mr. Neugebauer. I appreciate your statement. I would also like to offer and welcome the Ranking Member, and former Chairman of the full Committee on Agriculture and a good friend of mine. We traveled together to a lot of farm bill field hearings around the country. Mr. Goodlatte, I recognize you to make an opening statement if you would like.

**OPENING STATEMENT OF HON. BOB GOODLATTE, A
REPRESENTATIVE IN CONGRESS FROM VIRGINIA**

Mr. GOODLATTE. Thank you, Mr. Chairman, and I very much appreciate your chairmanship of this newly-formed Subcommittee and of your holding this hearing.

You are absolutely right. This is an area of American agriculture that has been given too little attention in previous farm bills, and so I am pleased that effort is being made to give more attention to it in this farm bill. I am especially pleased that the Department, in some of the proposals that they have put forward, have definitely raised the ante, if you will, on specialty crops.

I am pleased with the Department's proposal calling for increased conservation spending, including the creation of a new conservation enhanced payment option. I think the proposal is very interesting. However, I am concerned that specialty crop growers may not have the option of participating in the program and I would like to hear the thoughts of the Department from Deputy Secretary Conner and others on that issue and whether that is something that we could expand into this area that would be very valuable to apple growers in my part of the world and to specialty crop producers in other parts of the country.

I am also very interested in hearing the Department's thoughts on what we heard last year during the farm bill field hearings that were referenced by the Chairman. We have traveled all across the country, as I know Secretary Johanns and the Deputy Secretary did as well. We heard a great deal of concern from producers about the increase in pest and disease pressures facing specialty crop growers, and I notice that thus far the Department's proposal does not specifically address how we might be able to assist producers in this area. I would be interested in the Department's thoughts on that subject as well.

And then finally, the Department makes, and I think this is very noteworthy, a significant investment of \$2.75 billion over 10 years in purchasing more fruits and vegetables with Section 32 funds. This funding is a significant increase, and I guess one of the questions I have is this in addition to the fruit and vegetable purchases already being made or does it simply build on what is already being done? And does this encompass a plan to buy more fresh versus processed fruits and vegetables?

Mr. Chairman, I will be here for the oral testimony of Mr. Conner but I am not going to be able to stay for questioning due to a scheduling conflict. So if you are unable to address all those points during the hearing proceedings we will certainly follow up with questions to you and others at the Department about that. Overall, we are very interested in the Department's proposals and very pleased that the Chairman is holding this hearing today.

The CHAIRMAN. Thank you, Mr. Goodlatte. We will certainly make sure that you and your staff get this information and every Member will be allowed to ask questions after the hearing and get the answers back in writing from the Department as well.

We will now go to witness testimony, but first I would like to mention to all Members of the Committee that they may submit an opening statement for the record if they so desire. Thank you.

[The prepared statement of Mr. Peterson follows:]

PREPARED STATEMENT OF HON. COLLIN C. PETERSON, A REPRESENTATIVE IN
CONGRESS FROM MINNESOTA

Thank you, Chairman Cardoza for recognizing me to speak and for holding this hearing today. I also want to thank USDA Deputy Secretary Chuck Conner for testifying here today. The Subcommittee on Horticulture and Organic Agriculture has an important role to play as we move forward and write a new farm bill this year.

In today's agriculture economy, the role of specialty crops, including fruits, vegetables, tree nuts and nursery crops is significant. Last year, specialty crop production accounted for \$53.3 billion, or 44%, of total U.S. crop receipts. There have been many proposals that would expand farm bill programs for these industries, and the Committee will consider all of those ideas. I am looking forward to hearing more about the USDA's proposals on these issues today.

Another growing area of agriculture since we wrote the last farm bill has been organic agriculture. According to USDA data, in the past ten years, organic farming has been one of the fastest growing segments of U.S. agriculture. Current sales for organic products are \$15 billion annually and are growing by 15–20 percent every year. The increasing consumer demand for organic food products represents a growing opportunity for agriculture. For example, many beginning farmers are expressing interest in organic farming practices, and this may be one way to attract younger people to farming.

The Agriculture Committee has an important responsibility to balance the many needs of agriculture producers and consumers in the next farm bill. Faced with the challenges of a tight budget and expanding priorities for the farm bill, we have our work cut out for us to create a bill that is fair and addresses the traditional and new areas of growth in agriculture.

I look forward to hearing more about the Administration's proposals related to specialty crops and organic agriculture today. Thank you, Mr. Chairman.

The CHAIRMAN. I would now like to formally introduce the Honorable Chuck Conner, Deputy Secretary to the United States Department of Agriculture, Washington, D.C. Mr. Deputy Secretary, welcome. We look forward to your testimony, and please feel free to start now.

**STATEMENT OF HON. CHUCK CONNER, DEPUTY SECRETARY,
U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.**

Mr. CONNER. Thank you very much, Chairman Cardoza. It is really an honor for me to be a part of this opening hearing of this new Subcommittee. I know the future is going to bring great things for this Subcommittee and I am really pleased to be part of this opening session.

I appreciate the opportunity to discuss USDA's efforts to assist and promote specialty crops and organic agriculture in the Depart-

ment of Agriculture's farm bill proposals. I have a full statement Mr. Chairman that I would ask to be submitted for the record, and I will attempt to summarize that statement for you.

As many of you know, we began preparations on the 2007 Farm Bill over 18 months ago. We conducted 52 farm bill listening sessions across the country and received more than 4,000 comments. These comments were truly enlightening and were really the cornerstone of our proposal that we put forth. We listened closely to our producers and to our stakeholders across the country and ended up taking a very reform-minded, physically-responsible approach to making farm policy more equitable, predictable, and protected from future challenge.

During these sessions we heard comments from producers who said that they wanted to see specialty crops as part of the 2007 Farm Bill. Speaker after speaker came up to the microphone, truly as you have noted, Mr. Chairman, not asking for cash subsidies, but instead asking for more support in the areas of research, trade, and nutrition.

The sales of fruits, vegetables, tree nuts, and other specialty crops do account for approximately half of the U.S. cash receipts from farm crops. Specialty crop producers have continuously been underrepresented in past farm bills, and Secretary Johanns and I believe more can, should, and must be done for this sector of U.S. agriculture. Reauthorization of the 2007 Farm Bill provides a real opportunity to create greater equity in our farm policy. Through our farm bill proposals we have provided an unprecedented expansion of support for specialty crop growers through an array of changes that will enhance their ability to compete in the marketplace in the future.

In the conservation title we do propose increased funding of \$7.8 billion over 10 years for several conservation programs that assist all producers, including specialty crop producers in managing their natural resources. This increased funding will provide more opportunity for specialty crop producers to be protected from urban encroachment, while providing more resources geared towards pest management, air quality, water conservation issues, and they are certainly a priority that we heard around the country.

In the trade title we recommend increased mandatory funding for the technical assistance for specialty crops program, as well as establishing a new SPS grant program to further focus resources on addressing sanitary and phytosanitary issues. International trade and specialty crops has expanded much more rapidly than trade in other agricultural commodities, and SPS issues are certainly becoming the trade barrier of choice around the globe.

Secretary Johanns and I believe it is critical that we dedicate resource to address these issues in a more expedited manner. The Department proposed to increase again mandatory funding of \$250 million for the popular Market Access Program, with the increased funding, of course, being focused on the non-program commodities. MAP funding has proven to be effective in expanding markets for U.S. agricultural products.

Our nutrition proposals are obviously something we are quite pleased with. We have proposed that, again, new mandatory funding be provided for the purchase of additional fruits and vegetables

for the use in the National School Lunch and Breakfast Programs. This \$500 million represents a net increase in the total purchase of fruits and vegetables for school meals over levels already available under any other authorities. We are also proposing an additional 2.75 billion in funds available under Section 32, and it will be utilized to increase purchases of fruits and vegetables for our Food Assistance Programs.

The 2005, Dietary Guidelines, Mr. Chairman, for Americans, which are developed and published jointly by USDA and the Department of Health and Human Services, recommend increased fruits and vegetable consumption. These proposals put our guidelines into full practice and full action.

The Department recommends the priority consideration be given to project applications involving specialty crops under the Rural Development Value-Added grants program, as well as a new temporary program to provide \$100 million in direct support to producers of cellulosic ethanol. Eligibility for this program would be restricted to specialty crop waste and other cellulosic biomass feed stocks.

In the research title, Mr. Chairman, we propose that \$1 billion of mandatory money be invested to establish the Specialty Crop Research Initiative that would provide science-based tools for the specialty crop industry. We believe this is particularly important to address issues such as food safety, pest and disease management, and other issues that have plagued our sector over the last several years.

Finally, let me touch upon our proposal to remove the planting restrictions on traditional crop base acres. We know this has created some controversy. We believe strongly that eliminating planting restrictions does insure that we comply with all of our WTO trade commitments and positions us for the future to keep our exports, including exports of specialty crops, flowing without WTO challenge.

We also heard comments from producers and consumers regarding organic agriculture. U.S. sales of organic food and beverages has grown rapidly; a billion dollars in 1990, to an estimated almost \$15 billion in 2005. With the increased consumer demand for organic products, more farmers are interested in transitioning from traditional farming to organic farming. However, the requirements to be certified organic are admittedly lengthy and can be quite costly, especially for smaller producers. The Department's farm bill proposals also recognize the challenges faced by organic producers and identify several initiatives to assist. We propose to expand and increase the Cost-Share Certification Reimbursement program to all states and to all producers and processors. This program has been very helpful to producers in transitioning to organic agriculture and organic farming, and expanding this program we believe will help the organic sector continue to grow at its current pace. We recommend that \$1 million be available as well until expended to fund the collection and publication of organic production and market data. Again, an area where we would recognize we have problems within our existing plans. We also propose that an additional \$10 million be added to fund specifically organic product research.

Mr. Chairman, again, we do thank you for this opportunity to appear before this Subcommittee on a very important day to you. To summarize, the Administration does believe that a good farm bill must address the needs of all of American agriculture. We look forward to working with the Subcommittee to see this goal truly become a reality. I will be happy to answer all the questions the Subcommittee may have this morning, Mr. Chairman.

[The prepared statement of Mr. Conner follows:]

PREPARED STATEMENT OF HON. CHUCK CONNER, DEPUTY SECRETARY, U.S.
DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Mr. Chairman, and Members of the Subcommittee, good morning. Thank you for the opportunity to discuss USDA's efforts to assist and promote specialty crops and organic agriculture. My testimony will provide an overview of both of these critical components of U.S. agriculture, as well as discuss the Department's farm bill proposals in these two areas.

Specialty Crops

The Congress has defined specialty crops, in the Specialty Crops Competitiveness Act of 2004, as fruits and vegetables, tree nuts, dried fruits, and nursery crops, including horticulture. The U.S. specialty crop sector is comprised of producers, handlers, processors, and retailers of fruit, vegetables, tree nuts, and nursery crops. Sales of fruit, vegetables, and tree nuts account for nearly $\frac{1}{3}$ of U.S. crop cash receipts and $\frac{1}{5}$ of U.S. agricultural exports. When floriculture, greenhouse, and nursery crops are included. The specialty crops account for approximately half of all U.S. cash receipts of farm crops. The specialty crops industry encompasses 250 types of fruit, vegetables, tree nuts, flowers, ornamental nursery products, and turf grass crops that are produced throughout the United States. The industry can be characterized as high risk, high cost farming with high labor and input costs. One half of specialty crops are produced on irrigated acreage.

The Department currently administers a number programs that benefit specialty crop producers. In the Agricultural Marketing Service (AMS), for example, a robust program of price and shipment reporting provides several hundred daily reports from shipping areas and terminal markets located throughout the country. All data are Internet-accessible through a web portal that allows pre-selection reports and downloads of data in multiple formats for analysis. AMS also offers national quality grading and production process verification services at shipping and receiving points on a cost recovery basis. These services are conducted using both Federal employees and federally-licensed state employees. Growers, shippers, and receivers of fruit and vegetables benefit from the enforcement of fair trade practices under the Perishable Agricultural Commodities Act program administered by AMS. Specialty crop growers also have available an array of marketing tools under marketing orders that are created by industry initiative which if approved through referendum are enforceable on growers through regulation. The Foreign Agricultural Service (FAS) has a number of programs that benefit specialty crop producers. The Market Access Program (MAP) provides funding for expansion of markets for U.S. agricultural products. In addition, the Technical Assistance for Specialty Crops (TASC) grant program assists U.S. food and agricultural organizations by funding projects that address sanitary, phytosanitary, and technical barriers that prohibit or threaten the export of U.S. specialty crops.

Although existing programs do assist specialty crop growers, specialty crop producers who do not grow program crops are not eligible for support under USDA's farm commodity price and income support programs. We believe more can and should be done for this sector of U.S. agriculture that accounts for about half of all U.S. farm crop cash receipts. Our farm bill proposal addresses specialty crops in the areas of conservation trade, nutrition, rural development, energy, and research.

USDA Farm Bill Proposals for Specialty Crops

The Department's farm bill proposal would create greater equity in farm policy by increasing support for specialty crop growers through an array of changes that will enhance their ability to compete in the marketplace.

Specialty crop producers have traditionally been under-represented in farm bill policy. Five program crops receive 93 percent of direct farm bill cash subsidies, yet the value of U.S. specialty crops is equivalent to the combined value of these five crops. Sixty percent of all farmers do not raise program crops and therefore do not

receive direct subsidies. At USDA's Farm Bill Forums held across the country, specialty crop producers did not ask for direct subsidies similar to the program crops, instead requesting additional support to address sanitary and phytosanitary issues, market promotion, and targeted research. For example, Chris, in Washington State, said "Potato growers do not want traditional programs with direct payments but need assistance in other program areas." Mike, in Rhode Island, said "We need equitable distribution of Federal funds to the areas and to an array of producers that do not grow program crops." Charles, in Georgia, reflecting the comments shared by many other producers, said "Mr. Secretary, your assistance is Paramount in assuring the U.S. specialty crop industry remains competitive, through proper support of research, nutrition, promotion and conservation efforts."

The Administration is recommending a broad package of proposed changes to several farm bill titles many of which will better assist specialty crop producers. Major components of our package that are either targeted directly toward, or include, the specialty crop sector are listed below.

Conservation Title

We propose increased funding of \$7.8 billion over the next 10 years for several conservation programs that assist all producers, including specialty crop producers in managing their natural resources. These include significant increases to the conservation Security Program, the Environmental Quality Incentives Program, and the new Private Lands Protection Program. This increased funding will provide more opportunity for the specialty crop producer to be protected from urban encroachment, while providing more resources geared toward pest management, air quality, and water conservation issues that are a priority for the specialty crop sector.

Trade Title

We propose the phase-in of \$68 million in enhanced mandatory funding for the Technical Assistance for Specialty Crops (TASC) program, including \$4 million in Fiscal Year (FY) 2008, \$6 million in FY 2009, \$8 million in FY 2010, and \$10 million thereafter through FY 2015. In addition, the maximum allowable annual project award would be increased from \$250,000 to \$500,000 and more flexibility would be allowed to grant TASC project timeline extensions.

We propose that mandatory funding for the Market Access Program (MAP) be expanded by \$250 million over 10 years with the increased funding focused on non-program commodities. MAP funding has proven to be effective in expanding markets for U.S. agricultural products.

We propose increased support for a number of initiatives that will help address sanitary and phytosanitary (SPS) issues and other trade restrictions that affect specialty crop and other producers:

1. Establish a new grant program investing \$20 million over ten years to focus additional resources on international sanitary and phytosanitary issues. With an increasing number of non-tariff trade barriers in both developed and developing countries, the SPS issues grant program would be designed to fund projects that address sanitary, phytosanitary, and technical barriers that prohibit or threaten the export of all U.S. food and agricultural products, including specialty crops.
2. Authorize and provide mandatory funding of \$15 million over ten years to increase the U.S. presence in international standard-setting bodies, such as the *Codex Alimentarius*, the International Plant Protection Convention, and the World Animal Health Organization. Increasing U.S. representation in these and other similar international agricultural health organizations are critical to harmonizing multilateral food, plant, and animal safety standards. By ensuring these international health and safety protection standards are properly designed and implemented, the U.S. can avoid unwarranted technical barriers that threaten opportunities for two-way trade.
3. Provide enhanced monitoring, analytical support, and other technical assistance to support U.S. agriculture in bringing forward or responding to significant trade disputes and challenges. For example, U.S. specialty crop exports are sometimes threatened by rampant trademark piracy in international markets. USDA technical assistance could help the specialty crop industry address these threats.

Nutrition Title

We propose that new mandatory funding be provided for the purchase of additional fruits and vegetables for use in the National School Lunch and Breakfast Pro-

grams. This \$500 million over 10 years represents a net increase in the total purchase of fruit and vegetables for school meals over levels available under any other authorities. It reflects recent changes in the Dietary Guidelines for Americans and a recommendation from the Department's Fruit and Vegetable Industry Advisory Committee that endorses a substantial increase in produce commodities being offered within the school lunch program to improve the nutrition of the nation's school children.

We propose to establish a new five year, \$20 million per year competitive grant demonstration program to develop and test solutions to the rising problem of obesity in low-income Americans. These funds, for example, could be used to examine such things as incentives at point-of-sale for purchases of fruits and vegetables by food stamp participants.

We propose the reauthorization of The Emergency Food Assistance Program (TEFAP) and recommend more fruits and vegetables be provided under Section 32 authority through this program.

Rural Development Title

We propose the priority consideration be given to project applications involving specialty crops under the Rural Development Value-Added Grants program.

Energy Title

We propose that a new, temporary program be initiated to provide \$100 million in direct support to producers of cellulosic ethanol. Eligibility for this program would be restricted to specialty crop wastes and other cellulosic biomass feedstocks.

Research Title

We propose that \$1 billion be invested over 10 years to establish a Specialty Crop Research Initiative that would provide science-based tools for the specialty crop industry. This will support both intramural and extramural research programs across the country and address the critical needs of specific crops and regions.

Miscellaneous Title

We propose that an additional \$2.75 billion of funds made available under Section 32 of the Act of August 24, 1935, be utilized over 10 years to increase purchases of fruit and vegetables for food and nutrition programs.

It should be noted that the Department's proposal does not mention the Specialty Crop Block Grant program. This program is authorized through 2009 by the Specialty Crop Competitiveness Act of 2004 subject to appropriation. Since this program is in its infancy, we thought it best to have a few more years of demonstrable results before recommending further action by Congress. The Agriculture, Rural Development, Food and Drug Administration and Related Agencies Appropriations Act, 2006, provided \$7 million for this program. To date, grants have been awarded to Texas, Mississippi, North Carolina, Oklahoma, and Michigan.

Planting Restrictions

Finally, let me discuss our proposal to remove planting restrictions on traditional program crops base acres.

The World Trade Organization (WTO) has raised questions as to whether planting restrictions on base acres that are tied to commodity payments puts our direct payment support for wheat, rice, grain sorghum, barley, oats, peanuts, corn, cotton and oilseeds outside of WTO green box. Some have claimed that, because of planting restrictions, direct payments should be considered amber box—which could affect our current WTO support limit and our compliance with *current* trade agreements. Eliminating planting restrictions ensures that we comply with our WTO commitments and positions us for the future, keeping our exports-production from one of every three acres—flowing without WTO challenge.

Importantly too many farmers who want to produce specialty crops in addition to program crops are already doing so, and the current planting restrictions do not appear to inhibit them.

According to a recent study by USDA's Economic Research Service new entrants to the specialty crop business have been relatively few in number. The reason does not appear to be because of planting restrictions, but rather for reasons related to the specialty crop business, itself—

- the need for specialized equipment,
- the need for specialized expertise to be successful in producing and marketing specialty crops,
- higher production costs for fruit and vegetables,
- the need for labor to harvest for the fresh market,

- the need to be near a processing plant and have a contract for processing of produce, and
- a limited, seasonal production window in most states other than California, Florida, Arizona, and Texas.

Organic Agriculture

Congress passed the Organic Foods Production Act (OFPA) in 1990. The OFPA required USDA to develop national standards for organically produced agricultural products to assure consumers that agricultural products marketed as organic meet consistent, uniform standards. The OFPA and the National Organic Program (NOP) regulation require that agricultural products labeled as organic originate from farms or handling operations certified by a State or private entity that has been accredited by USDA.

The national organic standards and organic certification program are based on recommendations of the 15-member National Organic Standards Board (NOSB). The NOSB is appointed by the Secretary of Agriculture and is comprised of representatives from the following categories: farmer/grower; handler/processor; retailer; consumer/public interest; environmentalist; scientist; and certifying agent.

The National List of Allowed Synthetic and Prohibited Non-Synthetic Substances, a section in the regulation, contains specific guidance on substances allowed and prohibited in organic production. Organic crops are raised without using most conventional pesticides, petroleum-based fertilizers, or sewage sludge-based fertilizers. Animals raised on an organic operation must be fed organic feed and given access to the outdoors. Animals fed or treated with antibiotics or growth hormones may not be used in organic food production. Labeling standards are based on the percentage of organic ingredients in a product.

Certification standards establish the requirements that organic production and handling operations must meet to become accredited by USDA-accredited organic certifying agents. The standards are designed to ensure that all organic certifying agents act consistently and impartially.

Imported organic agricultural products may be sold in the United States if they are certified by USDA-accredited organic certifying agents. USDA has accredited certifying agents in several countries.

U.S. sales of organic food and beverages have grown rapidly—from \$1 billion in 1990 to an estimated \$14.5 billion in 2005.

USDA Farm Bill Proposals for Organic Farming

Demand for organic products is increasing and thus more farmers are interested in transitioning from traditional farming to organic farming. However, the requirements to be certified organic are lengthy and can be quite costly, especially for small farmers. In addition, a key to expanded opportunity in organic production is adequate market data to inform farmers, processors, wholesalers and retailers. And, organic farmers, just like traditional farmers, are looking for opportunities in the global marketplace.

The Department's farm bill proposal recognizes the needs of the organic agricultural industry and identifies several initiatives to assist it. These organic farming initiatives represent \$61 million in additional funding over 10 years.

We propose to expand and increase the cost-share certification reimbursement program for all states and for all producers and processors. Reimbursement would be increased from the current \$500 annually to \$750 annually or 75 percent of certification costs, whichever is lowest. This program has been very helpful to producers transitioning to organic farming, and expanding this program will help the organic sector continue to grow.

We propose that \$1 million be available until expended to fund the collection and publication of organic production and market data. Conventional farmers have access to USDA data that they can use to plan crop plantings and make marketing decisions. Organic farmers and those wishing to transition into organic farming currently lack solid data on the supply of key organic commodities as well as pricing for these commodities.

We propose to invest an additional \$10 million until expended in organic research. This new funding would focus on conservation and environmental outcomes and new and improved seed varieties especially suited for organic agriculture.

We propose that eligibility for enhanced Environmental Quality Incentives Program (EQIP) cost-share assistance include a broad range of land uses, including organically farmed land. And obviously, organic farmers are fully eligible for participation in the expanded Conservation Security Program.

We propose that funding for the Market Access Program (MAP) be increased by \$250 million over 10 years with the additional funds being focused on non-program

commodities, including organically grown non-program commodities. As is now the case, organic agriculture would be allowed to compete for Market Access Program funding to help develop and increase the organic export market.

Conclusion

Thank you again for the opportunity to appear before you today. We look forward to working with the Subcommittee and the specialty crops and organic industries to continue to assist and promote these very important components of U.S. agriculture. I will be happy to answer any questions that Members might have for me.

The CHAIRMAN. Thank you, Deputy Secretary Conner. We welcome you again and appreciate your comments. We will now open it to several rounds of questioning. I will begin, we will limit our questions to 5 minutes and take turns around the dais.

The Administration proposes to expand mandatory funding for the Market Access Program as you said by \$250 million over 10 years. With a focus of distributing for non-program commodities, a similar proposal has been advanced by the specialty crop industry. Can you elaborate on how the Department could implement such a non-program priority? Would you allocate the funding based on crop value or some other mechanism, possibly the number of grant applications received or what would your criteria be in this regard?

Mr. CONNER. Mr. Chairman, I appreciate the question. As you have noted, we do specifically identify the additional funding above and beyond the current discretionary funding for MAP as being for specialty, the specialty crop sector. We would continue to allocate that under the procedures that we use currently. Those are competitive procedures, as you know, Mr. Chairman, where we evaluate each project. Evaluate it in terms of potential for increased market demand for that investment. Obviously we do take into account the factors as well how much the industry themselves may be putting forth as part of that proposal as well. We see those processes not changing, simply, though, identifying that this would be additional money available just for the non-program crops. But same procedure.

The CHAIRMAN. Okay. Thank you. You propose also \$2.75 billion increase in Section 32 funds—

Mr. CONNER. Yes.

The CHAIRMAN.—over 10 years as you said to purchase fruits and vegetables for the National School Lunch Program and other nutrition programs. While I certainly support the fruit and vegetable purchased by the Federal spending programs, Section 32 is also used to balance the market. In the case where there is overproduction of a certain commodity, would it make sense to strengthen the existing Specialty Crop Block Grant Program or something similar to improve competitiveness in the specialty crop industry thereby reducing the dependence of Section 32 bonus buys?

Mr. CONNER. Okay. Let me answer that question, Chairman Cardoza, this way. We believe the purchases themselves under Section 32 provide obviously a very, very important benefit to the specialty crop producers out there. But as well I have to tell you that we see it also providing a great benefit to the recipient of those commodities. As has been noted in the past, obviously, much of what USDA's food and nutrition efforts are about is better eating habits for all Americans. These range from our USDA food pyramid to our 5-a-day Fruit and Vegetable Plan. We are about encouraging

greater consumption of fruits and vegetables within all of our community.

So, in this regard making those purchased fruits and vegetables available through our feeding program. Feeding programs including the School Lunch Program we believe is not only beneficial to the growers, but it is very, very consistent and beneficial to the recipients of that product as well. So we would not want to see that necessarily replaced or I don't think phased out.

I would add at this point as well I know Mr. Goodlatte did raise this question, the \$2.75 billion we see as being additional to any current purchases that may be happening under Section 32 as well. This is a sizeable amount we feel, and again, it has great benefit for the producers but also great benefit for the health and nutrition of a lot of different, particularly low-income Americans out there.

The CHAIRMAN. I am somewhat concerned about creating a situation where growers are completely relying or substantially relying on the Federal Government instead of using the Federal Government resources to create new markets. As a follow up from Secretary Johanns' response at the full Committee hearing, it seems that the Department concluded that the Block Grant Program was not really a farm bill program.

I am confused by that answer since there are a number of proposals within your recommendations such as the new cellulosic energy proposal that looked to me like totally new programs.

Mr. CONNER. Yes.

The CHAIRMAN. Do you think this is a viable tool for specialty crop agriculture, related to agriculture policy, first of all. Second of all, if you could just respond to how you believe this program fits within the PAYGO rules and the baseline budget questions that we are going to have to deal with as Members of Congress to fit this all into this new program?

Mr. CONNER. With regard to your question, Mr. Chairman, on the Block Grant Program, let me just say we have no beef or concern with that program whatsoever. It is authorized through 2009, I believe. Seven million dollars is available and we are in the process of administering in coordination with the individual state departments of agriculture. We have already issued a few of those grants to some of the state departments of agriculture. We are going to continue to administer that program according to the law through 2009. So, again, we have no concern or hesitancy on that program at all.

Just in terms of the broader market development issues, certainly I agree with your statement that the government should not be the developer or the provider of that particular market going forward in the future. As you know, Mr. Chairman, throughout this bill there are a number of provision that do prioritize specialty crops by giving them mandatory funding, not funding that is subject to further appropriation, but mandatory dollars, including, as I noted in my statement, a billion dollars for a new Specialty Crop Research Program that we believe will make a huge impact in this area in terms of market development. Market development in terms of new varieties, market development in terms of food safety, sanitary and phytosanitary issues, all the issues we have talked. This is a very, very sizeable investment, not subject to further ac-

tion by another committee in this Congress but money available immediately.

The CHAIRMAN. Thank you. I will wait for your response on the fiscal questions in writing.

Mr. CONNER. If I could, I will just say as Secretary Johanns has noted, Mr. Chairman, our farm bill proposals fit within the guidelines that have been laid out by the president in terms of a balanced Federal budget, within 5 years. We worked very, very closely with the Office for Management and Budget in terms of coming up with out additional \$5 billion that we have added to our farm bill proposal over the current baseline. It is fully consistent with that plan, and we have no problem there at all.

The CHAIRMAN. Thank you. I would just like to note that your comment with regard to the research component. I did three listening sessions last week: one in California, one in Oregon, and one in Washington. In every case the main topic of conversation was the research dollars and the need for research dollars to stay competitive in the global market.

I am going to take the liberty of asking one more question. It is a very important issue to this Subcommittee and it is one that is breaking in the news as we speak. As I am sure you are well aware, the current crisis concerning the declining bee population and its' impact on specialty crops. Would anything in your proposal be effective in mitigating the bee shortage on fruit and vegetable production? How can we better provide USDA with the tools it needs to respond to these types of somewhat obscure and unanticipated challenges? We received testimony, and *The New York Times* yesterday reported that bees are fleeing the hives to where, in some cases, over 50 percent of the hives are coming up empty. So if you can respond to that I would appreciate it.

Mr. CONNER. I would, Mr. Chairman. Let me just say that I first became aware of this issue last week, so this is not something that has been on our radar screen or my radar screen certainly for a long period of time, but I am aware of it. I have been advised actually that our Agricultural Research Service does have facilities in Beltsville, Logan, Utah, I believe in Texas, in Baton Rouge, Louisiana, as well that are currently doing agriculture research related to bee activity. So this is something very, very relevant to the types of things that we are currently doing. I see us having a substantial role here in terms of identifying this problem and getting to the bottom of it in terms of a potential solution.

Again, let me just say you mentioned agriculture research and the billion dollars that we have proposed. I see this type of activity being very relevant to the types of things that we see in the future that money going for, in addition to the ongoing activities that are currently going on within our own ARS facilities.

The CHAIRMAN. Excellent. I am anticipating in the next few weeks to have an additional hearing or a segment of a larger hearing dedicated to this topic, so I look forward to working with the Department on this issue.

Mr. CONNER. Yes. I am sure we have some technical expertise that would be very useful to you in that process, Mr. Chairman.

The CHAIRMAN. Thank you very much. I would now like to turn it over to my colleague, Mr. Neugebauer, for 5 minutes.

Mr. NEUGEBAUER. Thank you, Mr. Chairman. Mr. Secretary, in regard to some of your nutrition programs and the increasing purchase of fruits and vegetables, I think \$50 million has been set aside for school lunch or school nutrition programs. I think in the 2002 Farm Bill there was a pilot program that was called for. What has been your experience with the pilot program? Second, what kind of reception have you received from the schools? And third, is the infrastructure in place to be able to deliver these? I am assuming maybe these are fresh fruits and vegetables that we are talking about. So could you kindly elaborate a bit on that for me?

Mr. CONNER. I will indeed. I think you are correct that in the 2002 Farm Bill they did establish a fruit and vegetable pilot project that basically became an afternoon snack program for fresh fruits and vegetables as part of the School Lunch Program. I think that program is a popular program. I don't believe we have had testimony from anyone against that particular effort. Again, it is consistent with our effort to encourage greater fruit and vegetable consumption among school-aged children.

The \$500 million we propose I think is very, very consistent with that relatively small fruit and vegetable pilot project. We made a decision in this case to make it available to the schools in a less targeted sort of way. The fruits and vegetables would be made available, the schools would have the flexibility if they wanted to use those as part of their breakfast program, part of their school lunch program, or if they wanted to continue with the concept of an afternoon snack program. Schools would have that flexibility to use the \$500 million in that way. That is how we envisioned it. It was just maximum flexibility to the schools with the same purpose of encouraging greater consumption.

Mr. NEUGEBAUER. Who distributes those fruits and vegetables to the schools?

Mr. CONNER. We will provide a complete answer to that question for the record. Mr. Chairman, the School Lunch Program funding is broken out between cash assistance that we provide to the schools so they are able to go out and purchase the commodities and the food that they need to prepare a meal within our guidelines. I believe the figure is 20 percent of the help that we provide through the School Lunch Program is actually in the form of commodities as well that we purchase and make available through local vendors for those schools to use as well. So it is cash and commodities.

Mr. NEUGEBAUER. So what you are saying is maybe 80 percent of that would be cash, and they would be able to purchase that from a local distributor?

Mr. CONNER. That is correct.

Mr. NEUGEBAUER. Twenty percent of it may be given in commodities where that makes sense.

Mr. CONNER. That is correct.

Mr. NEUGEBAUER. If you have a little more breakdown on that or detail—

Mr. CONNER. I would be happy to provide that for the record.

Mr. NEUGEBAUER. Ok. I think you are proposing an additional \$10 million by year for specialty crop research. How much are we

spending for specialty crop research today? Do you have that figure?

Mr. CONNER. We can pull together those total figures for you.

Mr. NEUGEBAUER. Somebody just pulled that together for you, I think.

Mr. CONNER. Yes. We were anticipating that question. According to the data we have for fruits and vegetables, Mr. Chairman, for 2006 it is just slightly under \$200 million, I believe, \$199 million.

Mr. NEUGEBAUER. When I was in the Chairman's district we heard as we traveled around, even from the gentleman from New York, we heard the research piece over and over again. By bringing forth this additional funding, have you identified where the gaps are currently in the research? Do you have targeted places where you think this additional funding should go?

Mr. CONNER. We have not yet, Mr. Chairman. The dollars that we are proposing are competitive dollars that will be awarded through a competitive process. Determinations would be made in terms of the extent of the problem that we are trying to address and how much benefit we can provide to the producers as a result of that. It is sort of a cost benefit calculation that goes through our competitive process. So these are all competitive-based dollars that we envision all of our institutions having the ability to compete for.

Mr. NEUGEBAUER. Well, I want to encourage you to do one thing, and I know it is one thing that Secretary Johanns and yourself have done already; you have reached out to industry groups, and when you had issues you brought them in and you listened to them. I think it would be very helpful as we are talking about additional resources here, that while it would be a very competitive process from the universities, and they will all have wonderful ideas and ways for you to spend the money, I think it would be very beneficial to make sure that these additional resources go to what the industry feels are some of the key areas where they need additional research to solve some of those issues that are going on within the industry.

Mr. CONNER. I agree, Mr. Neugebauer, and as you know, we have a number of fruit and vegetable advisory committees within the Department of Agriculture that are really very key to how we proceed on these fronts. I am reminded as well, just to close quickly here, in terms of our additional research versus what is currently going on, I think our people and from the testimony we received felt that food safety and pest and disease were the areas where probably the current research dollars aren't adequate enough to address the extent of the problems that we have seen develop out there over the last couple of years. So while these aren't competitive dollars, we certainly see those two areas being ones that are likely to be the recipient of those competitive dollars.

Mr. NEUGEBAUER. Thank you very much.

The CHAIRMAN. Thank you, Mr. Neugebauer. I would like to now recognize the gentleman from North Carolina, Mr. Etheridge, for 5 minutes.

Mr. ETHERIDGE. Thank you, Mr. Chairman, and Deputy Secretary, thank you for being here. I apologize for not being here earlier, but I have two hearings going on at the same time this morn-

ing as you can appreciate others do as well. So let me thank you for your testimony.

Some of the proposals for increasing the funding for conservation would be welcomed. I know you can appreciate that, particularly the recommended increases in EQIP because that is certainly important to my state where we have an awful lot of concentration of poultry, pork, and some dairy. But I must say that there should be a serious examination of some of the proposed funding pieces used to get the dollars to fund these increases.

Mr. CONNER. Yes.

Mr. ETHERIDGE. In particular, the new payment limitations would probably have a pretty serious problem in a number of parts of the country, but with respect to specialty crops, this is important to my state as well.

Mr. CONNER. Yes.

Mr. ETHERIDGE. My district is the nation's leading producer of sweet potatoes, and we grow a variety of specialty crops, especially in the wake of the tobacco buyout. A lot of folks are expanding into new ventures. So as you mentioned in your testimony the organic food market is booming.

Mr. CONNER. Yes.

Mr. ETHERIDGE. We have an awful lot of people who have taken advantage of that because it is adjacent to some fast-growing urban areas. Can you tell me some of the ways that EQIP funding can be directed to producers to assist them in the transition of becoming organic producers, and are there unexplored areas where USDA could help these aspiring organic farmers in these adjacent areas for marketing, *i.e.*, farm to market assistance?

Mr. CONNER. Yes.

Mr. ETHERIDGE. Is USDA making an effort to integrate these healthier foods into the school lunch and the school breakfast programs? The latter being very important as we look at the challenge our schools face with children on Ritalin and the need to make sure they get good, healthy food.

Mr. CONNER. I appreciate the question, Mr. Etheridge. Let me just say that we do have a very strong, what I believe is a very strong organic section in this bill. First and foremost with your question as to EQIP, organic producers are fully eligible for those additional, for all of those EQIP dollars. I believe that EQIP can play a significant role for those producers in terms of meeting those requirements.

In addition within our organic section we have provided an additional \$61 million worth of funding, specifically, for organic agriculture, focused on a couple of different areas. We heard a lot of testimony that producers do have a difficult time transitioning to organic agriculture away from traditional farming. In this way we have provided some help for those producers in the past in certain states. We are expanding that help for them in terms of their certification as being organic to all 50 states. We have raised the amount of assistance that we will be paying them in that regard, as well.

Mr. ETHERIDGE. When will that be available?

Mr. CONNER. It would be available upon passage of this bill. Obviously, we would have to administer and go through a process to

implement that, but we see that as being a pretty straightforward process that wouldn't take too much time at all. And so, again, I think that would provide substantial help.

The other area that I did note in my opening remarks, too, Mr. Etheridge, is the fact that one of the points that we heard in organic agriculture is since this is still a relatively new industry, *albeit* a very rapidly growing one, the amount of data and market information that we have within USDA on this is pretty limited. Much of our marketing reports and our data still does focus upon traditional agricultural methods as you might expect, and there is——

Mr. ETHERIDGE. Well, I think that——

Mr. CONNER.—a need for more data so that these producers can use that to make their own projections and analysis in terms of markets.

Mr. ETHERIDGE. Well, I would encourage you to move quickly in that area, because I think that area is going to grow.

Mr. CONNER. Absolutely.

Mr. ETHERIDGE. Before my time runs out let me ask one final question.

Mr. CONNER. Yes.

Mr. ETHERIDGE. Can you tell me what USDA is proposing when they propose to bring more specialty crop producers into the crop insurance program? Another Subcommittee that I am a part of has some jurisdiction on that and everywhere we have been in hearings we have heard that. I think the low level participation is an indication because the insurance coverage is not there for the premium costs. I would be interested in your comments on that.

Mr. CONNER. If we could, Mr. Etheridge, let me just, I will submit a response to you in writing for the record to that particular question.

Mr. ETHERIDGE. If you would, please and if you could also make sure every Member on this Committee gets a copy of that. That would be great.

Mr. CONNER. Absolutely. We would be happy to do that.

Mr. ETHERIDGE. Thank you, sir.

The CHAIRMAN. I would like to follow up on the gentleman's question that as I have traveled around, especially crop producers just simply do not feel that there is value in the insurance program as it is currently constructed.

I would like to now turn it over and recognize the gentleman from New York, Mr. Kuhl, for 5 minutes.

Mr. KUHL. Thank you for appearing, Deputy Secretary Conner.

Mr. CONNER. Yes.

Mr. KUHL. Just for your information, I have submitted a list of questions to Secretary Johanns and am anxiously awaiting response of those. Anything you can do to stimulate the acceleration of those responses would be very greatly appreciated.

Mr. CONNER. Absolutely. We will check on the status of those.

Mr. KUHL. But as I was sitting here listening to your comments and your opening testimony, I was very interested in the aspect that you outlined without a great deal of specificity, and that deals with a billion dollars of new research over the next 10 years.

Mr. CONNER. Yes.

Mr. KUHLM. I was thinking about some of the problems in my home district, the 29th Congressional District of New York. It is in the Finger Lakes Area, where there is one of the fastest expanding and most optimistic enterprises is the grape industry. Fifteen years ago we had not more than 15 major wineries. Today it is over 260 and it is very competitive. One of the issues that confronts us in this world of global warming is the severe winters that we are experiencing in upstate New York. One of those problems that is reflected in the grape industry is the loss of some of the vines and some of the root stock, particularly in the Riesling area.

I am curious as to, from your perspective, if I was a small grape farmer growing say 40 acres of Rieslings, and I experience severe winters like we have in upstate New York and watch 80 percent of my crop get wiped out after the third severe winter, knowing that there is a billion dollars out there in research, how might I anticipate that the United States Department of Agriculture is going to help out my industry? I have heard you talk about competitive grants, and thinking from a small producer's standpoint, how am I going to stay competitive, and how am I going to replace my crop? I am aware that one of my producers actually tried to bring in a product from Germany to beat the severe winters and he was frustrated with the impediments put in place by USDA in actually importing those root stocks. I am curious if we are not going to be able to do that as an alternative, is research going to provide an alternative answer to this person? I would be interested in your comments.

Mr. CONNER. I appreciate your question. Let me just say I think it is important to note that, initially, given the types of winters that you have experienced in upstate New York, I don't want to start to sound like a snake oil salesman here and say that we have a solution for every circumstance. I mean, these have been some awfully compelling conditions, and all producers suffer during those types of conditions. So I know why you want to characterize our proposal as being able to overcome when producers oftentimes can lose all of their crop or production in a situation like this.

But to your point I think genetics, particularly for specialty crops, in this case grapes, are a very critical aspect of where we see future research taking us. Genetics that may be for disease resistance, or for weather resistance, but the whole area of research in those plant genetics is very critical. We have been investing heavily in our program crops via genetics research. I think we are lagging behind in this area. I see, again, that \$1 billion as having a great deal of focus upon plant varieties and the genetics behind those varieties to enable producers to better withstand the types of conditions that they are facing out there; whether those conditions are from the weather, pest, or some other combination.

Mr. KUHLM. Help me understand the practicality of the application of this money to the small grape farmer that I spelled out? How is he actually going to be able to access that money? Is he going to be competitive? Is upstate New York going to be competitive with the California wine industry? How are you going to determine that competitiveness for an application for a grant? Certainly that individual, who is dependent upon that produce is not going to be able to do it, so are you going to be dependent in the process that

you are going to set up for this research on universities, like the ag center at Cornell University, or some of the other universities? How is that going to happen? Help me understand that.

Mr. CONNER. Well, just to give you a practical example, I think you probably identified how the process would work in a circumstance like this. A very practical example would be an institution like Cornell University, a land-grant institution, acknowledging these problems out there working with the cooperative extension offices that are out there in the counties dealing with the producers, putting forth a proposal to address that particular need. Cornell University, or some other institution, would submit to the Department of Agriculture a grant request that would be evaluated on a competitive basis. I think that would be a very practical way in which you would see funding for this happen. I would not necessarily claim that a small producer out there is going to get grant funding for his individual operation. Perhaps that could happen, but it is probably not likely. I think working through his extension office or working through the land-grant institution would be a very typical path that would take.

Mr. KUHL. Thank you, Mr. Deputy Secretary. I see my time has expired. Thank you, Mr. Chairman.

The CHAIRMAN. Now I would like to call on the gentleman from Florida, Mr. Mahoney, a new Member of the Committee.

Mr. MAHONEY. Thank you, Mr. Chairman. I have to say that the snacks on this Committee are far better than the Financial Services Committee.

The CHAIRMAN. We aim to please, sir.

Mr. MAHONEY. I want to begin by thanking the Secretary for taking the time in what I hope will be a first step to better address the concerns of American specialty crop farmers. I represent the Sixteenth Congressional District of Florida, which is in central Florida. It runs from Palm Beach County all the way to Punta Gorda in Charlotte County. One of the most important issues affecting farmers in my district, and around the State of Florida, is plant and animal diseases. I recently had the opportunity to talk to the Agriculture Commissioner in Florida, Mr. Bronson, as he was highlighting to me the devastating effects of pests and diseases on Florida's agricultural industry, especially pests and diseases that enter the state through our numerous ports. In fact, I am told that Florida receives an average introduction of one new insect species each month. The cost to taxpayers of combating these pests and diseases after their introduction is enormous. The State of Florida, the Federal Government, and industry spent almost a billion dollars last year in eradication efforts for just one disease, citrus canker. And a recent GAO report that management and coordination problems between the U.S. Department of Homeland Security's Customs and Border Protection and USDA's APHIS are increasing the vulnerability of specialty crops to foreign pests and disease.

I know you have a limited amount of time, but I was hoping that you could address the issue from two perspectives. First, what efforts is the Administration taking to improve the coordination between CBP and APHIS in order to better protect our specialty crops? And second, I noted in the proposal that USDA is recom-

mending investing \$100 million in annual mandatory spending to create a new specialty crop research initiative to address the needs of the specialty crop industry. The proposal goes on to say that one of the many focuses of the initiative will be to continue efforts to identify threats from invasive species such as citrus greening.

Mr. CONNER. Yes.

Mr. MAHONEY. Which as you know has, in every country where it has hit, it has destroyed the industry. Can you elaborate further on how the Administration foresees the money being divided between the many focuses that you have to ensure that we are getting enough dollars to address this greening problem?

Mr. CONNER. In response to your latter question, Mr. Mahoney, let me just say that we are well aware of the threats that the Florida citrus industry has been facing over the last several years. We have been really a big partner with the Florida Department of Agriculture, and with Charlie Bronson, in dealing with these issues, particularly the citrus canker issue. Our investment in terms of the Department of Agriculture has been very substantial.

With regard to citrus greening as well, we are well aware of the potential devastating consequences that it would have, and for that reason we actually did highlight it in terms of our own explanation of the types of money that we see the billion dollars addressing out there. This is a major threat to a very large industry in the State of Florida, as you know. Again, these are competitive dollars where each sector has to compete, but we know that given the size and the magnitude that citrus greening could potentially have in Florida, we feel pretty confident that some of the billion dollars will go toward research activities for Florida citrus. In this case, greening, as well as citrus canker, is where we already have a very substantial investment with the State of Florida on that.

In terms of your border patrol situation, this issue did come up pretty extensively with Secretary Johanns and our testimony yesterday in the Senate. I will tell you that we do coordinate. We coordinate closely with the Department of Homeland Security in terms of the management of those Border Protection individuals that are out there. They work closely with our APHIS personnel in this way. In fact, they are trained and operate under the guidelines established by APHIS. This is something we continue to monitor closely. We want to work with this Committee and others to identify areas that they may see of concern out there in terms of potential gaps, because we do understand the consequences if one of these diseases get in this country and gets a foothold, the cost and the investment for our agency in controlling that is very substantial. If we can prevent it and keep it from coming here, that is far and away the most cost-effective means of dealing with that problem.

Mr. MAHONEY. But with all due respect, don't you think that we should be much more proactive in what we are doing, more along the lines of what CDC does with potential threats to human health? I mean, given the problems that are coming in and continuing to hit our shores, wouldn't that make sense?

Mr. CONNER. Well, I am not going to say that there aren't areas that we ought to look at. Obviously, we are always open to evaluate our border control activities, but I guess my point to you is that

we are closely coordinating. Our agency and our APHIS personnel who are specialists in this disease control area are working very closely with DHS at this point to make sure that we have the proper safety net in place to prevent these diseases from coming in to the U.S. Again, whether it is Avian flu, foot-in-mouth disease, or other agents, I think our track record, while we have many problems, our record for keeping some of these severe foreign animal diseases out of this country has been pretty good at this point. But I wouldn't stand here and in any way claim that this is not an ongoing effort that we always need to look to how we can improve.

The CHAIRMAN. Thank you, Mr. Mahoney. I would now like to recognize and welcome to the Committee the gentleman from California, Mr. McCarthy. While he is not a member of the Portuguese Caucus, we have welcomed him to the Central Valley delegation in any case.

Mr. MCCARTHY. Well, I thank the Chairman. He has been very kind. Mr. Deputy Secretary, I am from California's Central Valley, a little farther south than our Chairman. I would like to follow up the gentleman from Florida, because a little later this year we are going to have international flights into Bakersfield. I understand the movement to Homeland Security for doing the inspections, but is there a point that we should consider actually moving this back? Have we thought of that? Because under Homeland Security you are looking at intentional, which rightfully so they should be. But with the unintentional when these insects come through, and the one thing I am hearing from my constituents is the morale is down. Is there a way that we can boost that? Is there any consideration of moving it back to APHIS?

Mr. CONNER. We are not in any way reviewing potentially changing the current structure for our Border Protection agents out there, sir. Again, I will tell you that we don't seek that. We feel like we have very open communication, very open dialogue with DHS. Again, we share training activities with these border agents, with the Department of Homeland Security, and where they are located I don't think it is something we are considering. We just want to make sure they are trained and that they have the personnel and the resources there to do the job. Again, I think the track record does tell you that these people do their jobs well. I can't speak to the morale, but certainly we believe that they have done their job well in the past. To the extent we identify gaps, we want to work with you to make sure that potential future problems, whether that is in Bakersfield or wherever else that we work with the Department of Homeland Security to make sure that they have the trained personnel looking for the right potential threats at those locations.

Mr. MCCARTHY. Well, I appreciate that. If I could just change course for a second, you talked a little bit about lifting the planting restrictions with the flex acreage.

Mr. CONNER. Yes.

Mr. MCCARTHY. I come from the Central Valley of California. We grow a lot of fresh fruits and nuts. When the Secretary was here, I asked him if we have researched the actual dollar amount that this would impact. He gave me the Department's Economic Research Service article.

Mr. CONNER. Yes.

Mr. MCCARTHY. But it didn't give me a specific number of the impact, and Cal Poly Specialty Crop Institute in an industry study shows that current impact to growers will be in excess of \$3 billion. Is that a number that the Department thinks, or is there a number internally that people have?

Mr. CONNER. Yes. We haven't seen the Cal Poly results. I do go back to the Economic Research Service report that I think the Secretary gave you from February 2007. I believe there was some data in there which suggested contrary to perhaps what you may be seeing, and again, we have not seen that particular report. Overall, the impact of changing these planting restrictions is limited. I think the report did acknowledge that there could be some slight regional concerns among certain crops where it could be a notable change in that. I will just tell you respectfully, we feel very strongly that we have to correct this WTO problem. If not corrected, this problem could threaten to undermine all of our green payment options that we have been making out there, claiming not to have any trade distorting aspects. If that is no longer the case, if we don't fix that problem, we are threatening all of those payments, which means we are threatening the fact that we are in compliance with our WTO obligations. Being out of compliance with those obligations is not good news for any sector in the American farm economy, including the fruit and vegetable sector as well. It could have potentially large ramifications.

Mr. MCCARTHY. Just to follow up, I do agree with you that we have a concern there, but are you thinking of any other creative options of other ways besides just doing the blanket lifting? Are there any other ideas that can meet that criteria with—

Mr. CONNER. Well, let me just say as well that I think it is important to note that under our proposal obviously we are purchasing a very substantial amount of fruits and vegetables under our plan. Now, we purchase those fruits and vegetables, first of all, based upon the need and the demand out there in the marketplace. But, secondly, obviously, we are always looking to procure those commodities that are in surplus supply, where the price is good and readily available. We think that is a prudent use of government resources to buy the commodities in demand that happen to be a very good price at this particular time. We believe that purchase requirements would give us a lot of flexibility to, if there was a particular sector out there that for some reason was identified as having a potential impact as a result of this change, we believe we have the tools to help to mitigate that impact on that particular sector with our purchase requirement as well.

So, again, we feel very confident in saying that the impact is minimal. In that regional, and in that very isolated circumstance where it may not be minimal, we have the tools to deal with that. But fundamentally we have to deal with this WTO problem.

Mr. MCCARTHY. Well, I think it might be minimal but regionally it could be a very large impact. But thank you very much. Thank you, Mr. Chairman.

The CHAIRMAN. I would like to thank the gentleman from California and also acknowledge both the gentlemen from Florida and from California for talking about the inspection situation. In the

EAT Healthy America Act that both these gentlemen, most of the Members of the Committee, and I are cosponsors of, we do, in fact, propose to move the inspections back to APHIS from DHS. Our experience in the real world out there is saying it is not working at all under the current structure of the Department. And we are very concerned about the implications for specialty crops and, frankly, all crops in the country.

I would now like to recognize the gentlelady from New York, Kirsten Gillibrand, for 5 minutes and welcome her to the Committee.

Mrs. GILLIBRAND. Thank you, Mr. Chairman. It is my honor to be here. I come from upstate New York, and we have a lot of apples, fresh produce, dairy, and some organic farming. So your testimony today is particularly interesting. One question I have about the President's and the Administration's proposals about the conservation title, some of our farmers are concerned by the proposal of the President to combine working lands and conservation programs. They are worried that doing this is somehow going to result in less funding overall. Can you explain the Administration's intention? And can you please comment on whether or not it will reduce funding for these kinds of programs?

Mr. CONNER. No. We do consolidate a number of programs. EQIP is the result of a consolidation of a few different programs. Our easement programs are consolidated into one working lands effort as well, farmland protection effort as well. But I think in all of those cases we took the combined funding of all of those programs and then increased the funding on top of that combined level. So there is no—

Mrs. GILLIBRAND. There will be no shortfall?

Mr. CONNER. There is no consolidation and then cut from that consolidation. The funding is above and beyond anything that each of those combined programs would have represented.

Mrs. GILLIBRAND. Thank you. That is good news.

Mr. CONNER. Yes.

Mrs. GILLIBRAND. I would also like to ask a couple of questions about the energy title.

Mr. CONNER. Yes.

Mrs. GILLIBRAND. You have directed \$100 million for direct support for producers of cellulosic ethanol. In our district there is a lot of potential for cellulosic ethanol, not only with switchgrass but the wood pulp fibers that aren't used in the paper-making process, and other biomass feed stocks. My concern is that this really isn't enough, because there is so much money that is being put up towards ethanol, in general, that the corn markets are going up, so for our farmers, our dairy farmers, their grain prices are going up. So if we really want to move this market to get a more diverse market where we are looking at these other sources that, in fact, may be more cost efficient over the long term once we begin the research and development and figure out how to do it cost effectively, I am concerned that this is not enough to really move that market in a different direction.

Mr. CONNER. Well, let me just say that we believe we have a very substantial investment under our energy title. We see it as having three different components for the promotion of cellulosic

ethanol. The first is a research component. Cellulosic ethanol, we have been told and advised in some of our meetings is basically trying to use technologies and enzymes, if you will, that oftentimes are devised for a corn-based type process in terms of the development of this industry. And so, you just need some basic research going on out there on enzymes, processes, all this type of stuff designed specifically for cellulosic ethanol, and we have that investment in this bill.

The second part of it is, obviously, that there needs to be some work done, in terms of the producers' growing of this particular product so that it is—if the option is \$4 corn, \$4.50 corn, versus rolling the dice on some kind of other cellulosic-type product, it is going to be tough to get those producers to switch. And so in our proposal we have a number of options to provide incentives for those producers to actually grow the crops that the plants will need.

Then the third component, which we regard as the key component to this, is obviously these are new ventures. The capital investments are large, so we have a very substantial \$2.1 billion loan guarantee program for the actual construction of the plants themselves, which we believe will provide that incentive in working with private capital markets to remove some of that risk from them that the loan guarantee provides, so that the construction of these plants can go forward.

So it is research, it is the producers, and then finally the plant construction, and, again, there is a very substantial investment in our proposal for that purpose. All mandatory dollars, I might add, so that, as I noted earlier during one of the Chairman's questions, this is not subject to some other appropriations process or some limitation later on. These are dollars that would be immediately available for that purpose.

Mrs. GILLIBRAND. Thank you for your time. I am very grateful.

The CHAIRMAN. Thank you very much. I would now like to recognize my good friend, the gentleman from Tennessee, Mr. Davis, for 5 minutes.

Mr. DAVIS. Mr. Chairman, thank you very much, and it is certainly good to serve on this Subcommittee with you and see you with the gavel. You and I came to the House in 2003, both elected to Congress in 2002, and it is an honor to serve on your Subcommittee and to be here today as this testimony is being given.

Secretary Conner, I am pleased to see you here today as well. When I look at the hearing, we are talking about horticulture and organic agriculture. When I was a kid growing up, we used a lot of that organic fertilizer from the barnyard in much of our farming, so we understand the organic fertilizer in rural Tennessee where I grew up. We had a fertilizer back then that was 396. They called it Old Black Joe. It was actually Armour fertilizer that produced that, and the 396, you know what I am talking about when I talk about—or do you?

Mr. CONNER. I don't. I don't.

Mr. DAVIS. And you are in Agriculture?

Mr. CONNER. It wasn't an Indiana term, I guess.

Mr. DAVIS. It was basically 18 pounds of nutrients, 3 pounds of nitrogen, then you had phosphate and potassium, those numbers

identify what the ingredients are as far as the nutrients that go, the rest of it is just filler. I will have to teach you something about agriculture.

Thanks for being here. I represent a very rural area in Tennessee. We have timber industry, with hardwoods and some softwood. We have a lot of beef cattle and dairy cattle. We have a lot of wineries, quite frankly. A lot of California wine and New York wine or juice and Alabama juice comes to Tennessee to make the wines, the farm wines that we have. I think it is better than the other areas where you make it, but some of you folks would disagree with that. But we also have soybeans and cotton, and one of the areas that I represent has probably one of the largest horticulture industries, the nursery industry, in the world. It is kind of known in our area as being the most dominant, and we ship a lot of products from outside of our state to other parts of the nation. A real concern that we have as we, as I look at this farm bill, is that when we start looking at pests and invasive species, do you believe that when it comes to specialty crops that there is, in this farm bill that it adequately addresses funding levels as needed for research and development to find new ways of protecting us from the invasive species and from the pests?

Mr. CONNER. I believe we have gone a long way towards meeting that fundamental commitment, sir. As has been noted one of the key parts of our research title is that we have identified a billion dollars of mandatory money, not subject to further action, to be made available for research on specialty crops. It has been noted earlier in the hearing, in the area of plant disease, pest protection is one of those areas where we feel like our current dollars for specialty crop research are not going far enough. So we see that as being a very targeted use of the billion dollars of mandatory money that we are making available to it. So, again, in this business you never totally solve the problem, but we believe we have moved the ball forward very substantially here with this commitment of resources.

Mr. DAVIS. Okay. And stepping away from the farm bill for just a moment, one of the major issues to the nursery producers and the horticulturists in the district that I represent is the fire ant that is rapidly moving northward. If you have a plant that is in a 5 gallon or 10 gallon pot you can pretty well control that. But if you are actually burlapping or balling the trees, and if there is a fire ant located on one of those, and you try to ship that across the state lines, you are in a heap of trouble. Quite frankly, there may be an embargo placed on your entire farm, and the entire area could get to the point where they couldn't ship their product to other areas of the state. There is a chemical called BioFriend™. Filosar or Telesar is the common name used for it. There are some folks who feel like we need to start looking to the fast tracking of chemicals to make those approved by USDA or FDA for actual using them to maybe stamp out, eradicate, or control the fire ants. Is that working adequately with the Department of Agriculture? Do we need to introduce legislation, or are you making rules that could make fast track become a possibility?

Mr. CONNER. Well, in terms of fast tracking that approval, I assume that that would probably occur under EPA jurisdiction, the

Federal Insecticide, Fungicide, Rodenticide Act, which would not be in the Department of Agriculture. But I will tell you that we do work closely with EPA under that statute because there are certain authorities that the state has to request emergency approvals in the event that you have an outbreak of a particular pest. We do a lot of the economic analysis data for those approvals to show that it is indeed an emergency that is costing the producers. That is a role we are going to continue to play.

Mr. DAVIS. My time is up, but Triple 19 is one of the better fertilizers. That is what my brother uses.

Mr. CONNER. Is that right? I will remember that.

Mr. DAVIS. It makes it grow a whole lot better, but when we first started, the fertilizer was actually 396. So you need to go back.

Mr. CONNER. 396.

Mr. DAVIS. If you are going to work in Agriculture, you have to learn at least what we used to produce with. Thank you, sir.

Mr. CONNER. Thank you.

The CHAIRMAN. Mr. Davis, I was thinking that when you mentioned 396, that might be the ear tag for old Bessie.

Mr. DAVIS. No, that would be, that would have been last year she was born. She wouldn't have been Bessie. She is probably hamburger by now if she was born then.

The CHAIRMAN. I want to thank the gentleman for his questions. With regard to the fire ants, I just want to make the Deputy Secretary aware that there is significant concern on the Committee. Mr. Etheridge has asked me to look into that as well. He is very concerned about some issues in his district. There are other Members of the Committee, Mr. McIntire as well, that are concerned. So we will be contacting the Department further about the fire ant question.

Mr. CONNER. Okay.

The CHAIRMAN. And how we can better deal with that challenge in a number of states.

Let us start the second round of questioning now. I would like to ask the Administration, as you mentioned in your testimony, proposes to establish a new grant program that would invest \$20 million over 10 years to further focus resources on addressing international sanitary and phytosanitary issues.

Mr. CONNER. That's right.

The CHAIRMAN. Has USDA given significant thought to the mechanics of this grant program, such as organizational eligibility and where it might be located within USDA and how it would be applied? I think there are some concerns.

Mr. CONNER. We have not provided too much more detail or gotten thought just in terms of the administering agency at this point, Mr. Chairman. Again, it is our view that these sanitary and phytosanitary rules are really, have been and are going to continue to be what our foreign trading partners use as the means to keep our product out. So, from our standpoint it is going to require a lot of careful collaboration between our Foreign Agricultural Service, which is going to be on the front lines out there in terms of promoting the product, dealing with the foreign government that may be imposing the unfair restriction as well as our own Agricultural Marketing Service. Then Agricultural Research Service in the

event that there is actual research being done will collect the data that is necessary to show that our produce is safe for those foreign countries to be purchasing. So, this is not one of those areas that we see being under one particular jurisdiction, but it is going to require a number of different mission areas within USDA.

The CHAIRMAN. Well, I applaud USDA for putting the dollars in. I think we are going to have some questions and further input on how we locate this program and how we implement it. I know Mr. Costa has raised questions about Japan precluding our beef from being imported there. They have 10 times the amount of issues that we do in VST and other things.

Mr. CONNER. Yes.

The CHAIRMAN. I remember my opponent in my first electoral campaign for the legislature nearly lost his farm while we were running because he had a load of cherries that sat on the docks in Japan. You don't need to hear too many of those cases of people being totally wiped out with a perishable commodity to know that we need to do something in this area. I applaud you for your work. We just need to figure out how we could put the money there. If we don't have the ability to act quickly when we do have a farmer that has his crop on the docks in a foreign country and not be able to get it through, we can spend all the money in the world, and it won't have any positive effect.

Mr. CONNER. We agree.

The CHAIRMAN. Thank you. You have also proposed increases to funding the TASC Program, Technical Assistance for Specialty Crops, and to create another grant program to address SPS issues abroad. Beyond this the proposal does not address plant pests in any other way. The SPS issues are more than just trade issues. Several states have serious domestic pest emergencies. Why did your farm bill proposal not address those issues more specifically as a way to protect U.S. agriculture from pests?

Mr. CONNER. Well, I think we do offer that protection, and that occurs in a variety of those proposals, including the two programs that you have identified in terms of sanitary and phytosanitary requirements. I would point you, Mr. Chairman, to a third proposal that we do discuss extensively as well, and that is to increase our involvement with some of these international standard-setting bodies, which we see as being critical to the future of trade and dealing with a lot of these sanitary and phytosanitary requirements. As you know, a number of examples out there, beef being a pretty good one, where there needs to be international standards by which those participating and trading partners have agreed to live by those standards. It is very relevant to the fruit and vegetable industry in terms of a mitigation effort that we may take here that meets international standards it is only as good as the country you are trying to ship to acknowledging that that particular mitigation does meet those standards. So we believe we have to increase our role in that as well.

Obviously, the research side continues to be important, and then dealing with those countries in terms of their own, what could be erroneous, sanitary and phytosanitary requirements that are keeping our product out. So I believe, we want to work with you on this. If you have identified something we have missed here, we will work

closely with you on this. Our intention is to make this a very aggressive sanitary and phytosanitary push to make sure that our farmers are being dealt with fairly.

The CHAIRMAN. Thank you. Since you mentioned it, your Administration proposes to authorize and provide long-term mandatory funding of \$15 million over 10 years to increase the U.S. presence in the international standard-setting bodies such as the *Codex Alimentarius* and the International Plant Protection Convention—

Mr. CONNER. Right.

Mr. CARDOZA.—and the World Health, World Animal Health Organization. Does this funding level place us on par with our trading partners, particularly the European Union, with regard to resources devoted to participation in these international bodies?

Mr. CONNER. We believe that it does put us on par with them, and it will provide us with the resources that we need to be able to deal with those international bodies and provide the technical personnel to work with those bodies. That will, obviously, then work with our industries to make sure that we are being treated fairly here. I am advised that the EU would probably still be putting more resources in there than what we would under our plan, but we believe that the technical expertise that we would be able to offer with this additional funding would be an important step in the right direction.

The CHAIRMAN. Thank you. Mr. Neugebauer, I turn it back over to you for further questions.

Mr. NEUGEBAUER. Thank you, Mr. Chairman. Mr. Secretary, I am not a frequent flyer at the grocery store because generally when I go to the grocery store, it takes me a long time to get through the store and visit with constituents. I was recently in some grocery stores, and I was noticing that a large amount of shelf space is provided in the grocery stores for organic foods. So it is obviously, it is a growing piece of the market share.

I had some people in my office earlier today that were talking about the standards that it takes, and I think Ranking Member Goodlatte mentioned making sure that young farmers or small producers, if they want to move into the organic business, have the ability to do that. So I have a couple of questions.

Mr. CONNER. Sure.

Mr. NEUGEBAUER. One of those is what are we doing as far as enforcing standards so that somebody just doesn't decide one day to just stamp organic on it, and second, one of the things that individuals in my office said that it is a difficult process to go through to get that. So are there things that the Department is doing to help producers, if they want to get in the organic business, navigate through this process? Do we have uniform standards in place?

Mr. CONNER. Those are good questions. I appreciate it. We do play an active role in working with the producer because we, as I noted in my opening statement, we acknowledge that the organic certification process is difficult to navigate. It is not an easy task for some small producer out there trying to transition from conventional farming. It is the reason we have proposed additional resources in the bill. We have expanded our certification help to all 50 states under our proposal, and we do increase the amount of

money that we actually will compensate the producers for in terms of his costs of getting through this certification process, significantly under this bill as well.

In terms of certification agents as well, Lloyd Day is with me, who is an Administrator of our Agricultural Marketing Service, and I will ask him to correct the record if I am wrong, but I believe we do certify the, if you will, the certification agents out there that are involved in enforcing and making sure that when a product is labeled organic, it meets the very rigorous standards that we have set in place. I believe we have over 96 trained agents that are involved in that certification and enforcement process, and we feel confident that that is being adequately enforced at this point. We are not seeking any change in statute or change in our authorities there because we feel like that is being done and the law is being enforced.

Mr. NEUGEBAUER. Are there labeling standards that go along with that regulation? In other words, is the consumer, is the standard for labels consistent so that when a consumer looks at a label, they understand organic, the difference between organic and non-organic product?

Mr. CONNER. Yes. Those certification requirements for organic are standard requirements that are necessary in order to have the USDA label that is on that product as being certified organic.

Mr. NEUGEBAUER. It is a standard label. Is that correct?

Mr. CONNER. That is correct.

Mr. NEUGEBAUER. I want to move to rural economic development, particularly as we, since we are on specialty crops, obviously in many of our districts rural economic development is an integral part of keeping our regions vibrant. As it relates to specialty crops, what value-added is, would seem to be a very important piece of that, to be able to do the value-added right in those particular regions rather than having that processing done in other places? In your proposal are there increases in value-added opportunities and grants for specialty crops, and if so, what kinds of dollars are we talking about?

Mr. CONNER. I am not aware that we have any specific dollars targeted toward, I guess what you are describing as processing, value-added grants for potential processing facilities that may be available out there.

I will tell you in general as you know in our rural development title, I would steer you towards a number of proposals that we do have under that title that I would put in the category of improving greatly the quality of life in rural America for those individuals that are specialty crop producers or any others. I think there are a number of provisions in there dealing with rural healthcare and the renovation of emergency care facilities under that plan. We are proposing to take over 1,270 rural hospitals, and make them full-fledged rural emergency care facilities. Again, this will have a great impact on the quality of life in those regions for all producers, including the specialty crops producers. I am advised as well that we do give priority to specialty crop value-added grants in this proposal, and I believe that is under our rural development title as well. So we will provide a more detailed response, but there are some rural development funds for value-added in that as well.

Mr. NEUGEBAUER. Just a quick follow up, Mr. Chairman. In your response if you have a granting side of it and also a loaning side of it or something like that, that as it pertains to opportunities of the types of facilities that would qualify under your proposal or your plan, I would appreciate that information as well.

Mr. CONNER. And I would just point out, I think it was noted earlier, Mr. Neugebauer, that in the energy title some of our development money in that is specifically targeted at some of the by-products associated with the specialty crop sector, as well, to be converted into a cellulosic type ethanol. We feel that that is going to be an important new market potential for these products.

The CHAIRMAN. Thank you, Mr. Neugebauer. I want to particularly follow up on your line of questioning with regard to the organics, because I am concerned, and I would like the Deputy Secretary to respond back to the Committee. We are going to follow up on this as well, with regard to foreign countries who have agents that inspect them. I am not sure those agents act as diligently as USDA does here in the United States, in my mind, leading to unfair foreign competition, potentially. So we are going to be talking about that, and I will be looking forward to working with you on figuring out what the best strategy is in order to make sure that American farmers have an equal playing field in the international market in that area.

Mr. Mahoney.

Mr. MAHONEY. Thank you, Mr. Chairman. I would like to follow up on something that the gentlewoman from New York was talking about with regards to the section on cellulosic bio-energy, and the proposal to "Put a temporary program to provide \$100 million in direct support to producers of cellulosic ethanol." Question, two questions: One is, how does that level of funding compare to funding of the corn-based ethanol production?

Mr. CONNER. Well, as you know, this program began as a bio-energy program that was specifically targeted for corn, in this case buying the price of corn down to help make the ethanol competitive. In our view—

Mr. MAHONEY. And you were successful?

Mr. CONNER. That has been a successful effort, and that has been great for many rural areas of this country. Going forward, though—

Mr. MAHONEY. But not my area—

Mr. CONNER.—as has been noted—

Mr. MAHONEY.—in Florida which doesn't have corn.

Mr. CONNER.—cellulosic ethanol we believe is where we need to focus our attention as well as focus our resources, going forward, because we have created a viable corn-based ethanol industry. We do not see any of that money being used for corn for that purpose. This would all be for cellulosic product, and the corn industry is thriving and, going forward, doesn't need this kind of help at this point. We need to do for cellulosic what has happened for the corn sector as well.

Mr. MAHONEY. The next question is, I wanted to understand what the word *temporary* means, and was that a similar approach that you did for corn-based—

Mr. CONNER. Yes.

Mr. MAHONEY. Is that a temporary program?

Mr. CONNER. Again, like corn, this is not subsidies forever in terms of buying the price down. We want the market to determine this situation. This is kind of a head start, if you will, and again, we expect, as did happen in corn, that transition to where you would not need to be subsidizing the feed stock for cellulosic ethanol in the future. So that is why it is temporary.

Mr. MAHONEY. Given the President's desire to increase the amount of ethanol being used in energy as he stated in the State of the Union address, have you looked at any actions or activities that USDA could take that could spur the additional investment in cellulosic ethanol when it comes to meeting the goals outlined in the State of the Union address?

Mr. CONNER. We have, Congressman, and let me just tell you. We believe that the proposals contained in our farm bill recommendations are critical to moving that ball forward and meeting the very aggressive goals that the President has laid out for bio-energy production in this country. Cellulosic has to be a key part of that equation if we are to meet those aggressive goals. As I pointed out in response to an earlier question, we do quickly see three aspects of that; research to develop the product, incentives for the producers to grow the cellulosic material, and then, of course, you need the incentive for the plant construction through the loan guarantees. All three of those are key components to our energy title and our recommendations.

Mr. MAHONEY. Has your agency looked at potentially mandating that a certain percentage of meeting the President's goal come from certain sources of ethanol like cellulosic? If not, why not?

Mr. CONNER. No, we have not. This is an aggressive goal that is going to take strong performance from all aspects of the ethanol sector, if you will, whether corn-based or cellulosic. We want to continue to encourage growth from the corn-based sector. At the same time, though, we acknowledge that to meet those targets cellulosic has to get a strong foothold, and that is why we in our proposal, again, it is 100 percent focused on cellulosic ethanol.

Mr. MAHONEY. Well, one of the things I would like you to consider is that when you take a look at the reason why you were so successful with corn-based ethanol was the fact that not only did you provide research dollars, but you signaled to private industry that there was going to be an opportunity for investment. I would encourage you to go back and to look at how we might be able to use increasing demand or increasing, I will use the word *quotas* in terms of ethanol production, to do the same thing for cellulosic. This way we can take the \$1.6 billion that you are proposing and may be able to multiply that by encouraging private investment to come into the industry as we saw with corn-based ethanol.

Mr. CONNER. I appreciate your point, Mr. Mahoney.

Mr. MAHONEY. Thank you very much, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Mahoney. You win the award today of being the Member who stayed for the most questions other than the Ranking Member and the Chairman. So I appreciate that.

Mr. MAHONEY. Well, Mr. Chairman, I got to tell you that there is nothing more important to the citrus growers and specialty crop producers in my district than what we are doing here today.

The CHAIRMAN. Well, as Mr. Neugebauer was mentioning, we have almonds here from California and Florida orange juice from Mr. Mahoney's district. So we are happy to provide the snacks today.

Mr. MAHONEY. Being from California that was a big concession, Mr. Chairman. I appreciate that very much.

The CHAIRMAN. We don't have any oranges this year. They all froze, I'm sorry to say. I have two more questions that I want to mention, two more areas of concern. As I traveled among the western states this past week, two issues were raised that were of pretty serious concern among specialty crop growers. The first one is the Administration's proposal on flex acres.

Mr. CONNER. Right.

The CHAIRMAN. Would you like to address that? And well, let us do that one at a time. Go ahead.

Mr. CONNER. Well, again, I think, Mr. Chairman, as we have noted we feel that it is just extremely important that we address this issue of the WTO concerns that have been raised about the flex acre planting restriction provisions in current law. We have a very substantial direct payment program under our commodity title. Under our plan those direct payments are actually increased, again, pretty substantially to the tune of \$5.5 million. We want and we must have those payments be considered a green box. If they are not, if that is called into question in any way, we do have major WTO problems that I have noted will have economic consequences for all of agriculture, including the fruit and vegetable sector. So we feel it is just paramount that we address those WTO concerns as part of this package by working with you to get those flex acre planting restrictions lifted.

The CHAIRMAN. As we move forward I think the Chairman of the Full Committee has some concerns, and I do as well. We will have to have further discussions on this topic, because I recognize the Administration's concerns, and I also recognize the farmer in the fields' concerns about the impact that this could have. All of the marketing and all the other work that we do could go for naught if there are too many acres planted in some of these different commodities.

So the second question that I have, the other concern that I repeatedly got this past week was of the programs, for example, EQIP, too many farmers felt that the funds were hard to access, that they had good proposals that just didn't fit within parameters, or there was a significant amount of frustration with red tape or with access ability to these programs on the individual farmer level. So I just share that. I don't know if you have a response, but how to make government more user friendly to those who are paying the bills, our taxpaying citizens, is something that I am concerned about.

Mr. CONNER. Absolutely. I share that point. Let me just say in our travels, Mr. Chairman, we did find a lot of strong support for EQIP out there.

The CHAIRMAN. Oh, you are absolutely right. There is a lot of support for it.

Mr. CONNER. Yes. EQIP is a program where it is very heavily dependent upon your interaction with your local NRCS office, and

that may be the source of some of the isolated concerns. Again, nationally speaking we got very favorable comments about the program from the producers. We are always willing to work with you and deal with what, hopefully is in that case, may be some isolated circumstances where there might a disconnect between the, our local agent perhaps, and the producer. But we want all these guys to have full access to what is, I believe, a very popular program out there and obviously, one that we are proposing to be even more important to the producers in the future.

The CHAIRMAN. Absolutely. I applaud expansion of the program, and we just have to make sure that it works for all different segments of agriculture.

Mr. CONNER. Yes. Absolutely.

The CHAIRMAN. It was interesting as I went around the different states, it was different, dairy seemed to be very happy with it, but some other folks just didn't feel like their programs fit into the little boxes, either by USDA or the local challenge that they were under.

Mr. CONNER. Well, we always will work with you to address those.

The CHAIRMAN. Thank you very much. Deputy Secretary Conner, thank you for taking your time. I am going to turn it over for a closing statement from Ranking Member Neugebauer.

Mr. NEUGEBAUER. Well, thank you, Mr. Chairman, and thank you, Secretary Conner, for coming over. I felt that this was very informative. As the Administration has made some additional new commitments to this important area in agriculture, I will look forward, along with the Chairman, to working with you as we put together a farm bill that is broad in coverage, that makes sure that everybody involved in American agriculture feels that this Congress supports them. I look forward to working with you and the Chairman as we set about that process. Thanks again for your comments.

Mr. CONNER. Thank you very much.

The CHAIRMAN. I thank the Ranking Member. Thank you very much, sir, for your taking the time out of your busy schedule to spend additional time with us today, walking us through the Administration's proposal. I think we have accomplished a great deal here today, and this exercise will give the Members of this Subcommittee a foundation to be able to work on the farm bill process, as we move forward. Having open and frank conversations like we did today allows us to certainly pave a way for greater collaboration down the road, and I applaud that. I am deeply committed to insuring that this Subcommittee writes a responsible, equitable, and innovative component to the farm bill for specialty crops and organics, and your presence here was a tremendous step in the right direction on that.

Under the rules of the Committee the record of today's hearing will remain open for 10 days to receive additional material and supplemental written responses from the witness to any question posed by a Member of the panel. This hearing of the Subcommittee on Horticulture and Organic Agriculture is adjourned.

[Whereupon, at 12:01 p.m., the Subcommittee was adjourned.]

[Material submitted for inclusion in the record follows:]

SUBMITTED QUESTIONS*

Questions submitted by Committee on Agriculture Majority Staff*Section 32*

Question 1. Considering the authority to use Section 32 funds for export subsidy have not been used in over 100 years, is there benefit to maintaining this authority?

Question 2. What activities have been funded under the authority to provide direct payments to growers to “restore purchasing power?” What commodities have benefited?

Question 3. It is our understanding that Section 32 fund year end un-obligated balances roughly average \$150–\$200 million annually. It is our understanding also that under the Department’s planned increase in Section 32 purchases of \$2.75 billion over 10 years transfers to Food and Nutrition Service’s Child Nutrition Programs would be reduced by an identical amount. How will specific nutrition programs be impacted by this action?

Organic Agriculture

Question 4. Current USDA–REE agency resources applied specifically to organic agriculture total about \$12 million annually or approximately 0.6% of total agricultural research. U.S. organic consumer demand continues to double every 3–4 years and total organic market share is expected to exceed 10% by FY 2012. Does the Administration’s proposal on organic research add an additional \$10 million to the existing \$12 million in USDA–REE programs associated with organic agriculture? What is the Department’s long-term strategy to address the growing research needs of the organic sector and the current inequitable distribution of research funds?

Question 5. What research and extension priorities or trends have emerged or been identified from the Integrated Organic Research Program at CSREES?

Question 6. Minnesota and other states have used EQIP funding to cost share transitions to organic production. This innovative approach has resulted in many stories of producers successfully transitioning to organic production. Is there any consideration within USDA in having NRCS make a national commitment to use EQIP funds for organic transition?

Question 7. Organic consumers must have confidence in the organic brand, in general and USDA certification in particular in order for organic products to maintain their premium value. Over the past few months we have seen news articles assert that USDA has little idea of the number of violations associated with non-compliance of its organic regulations. Please describe the process used by USDA to identify and document violations including time-frames for correction. Has USDA performed any internal assessment of violations such as numbers and trends associated with specific producers, handlers, regions or foreign countries?

Question 8. A uniform understanding of the NOP regulations among accredited agents worldwide is critical in ensuring a consistent level of regulatory compliance. Please describe USDA’s current effort in post-accreditation training of certification agents?

Question 9. Many Federal programs have adopted procedures for issuing guidance as to how their respective regulations are to be interpreted. These procedures usually contain an opportunity for public comment to ensure the guidance language is clear and widely understood. Does the NOP have formal or informal procedures for issuing guidance to its accredited certification agents? Please respond on how well these procedures are working?

Question 10. Organic farmers in this country are at full capacity in supplying organic food, so retailers are sourcing supplies from foreign countries. More and more products are being imported from countries such as China. Please describe the oversight process used by USDA to assure that imported organic products are produced and handled in accordance with USDA standards.

Questions submitted by Committee on Agriculture Minority Staff*Trade*

Question 1. I notice you are gradually increasing the funding for the Technical Assistance for Specialty Crops (TASC) program. What is the total dollar amount of applications currently being received by the Department for TASC?

*At the time this hearing went to press the responses were not submitted.

Question 2. The Department's proposal provides funding to increase the U.S. presence in international-standard setting bodies, and I was hoping you could tell me exactly how this funding will be used and how it will help specialty crop producers?

Question 3. I know the Market Access Program (MAP) is an important program for specialty crop producers but as you know, MAP is a valuable program for other agriculture commodities. Can you tell us what percentage of MAP funds currently assists the specialty crop industry in promoting their products overseas?

Planting Prohibition

Question 4. Your testimony states that a USDA/ERS study finds that new entrants to the specialty crop business will be relatively few in number. However another recent study finds that the costs to the industry will be nearly \$4 billion. That seems to be a serious impact that should be considered. Can you comment on how these two studies found vastly different results?

Conservation

Question 5. The Department's proposal calls for an increase in conservation spending including the creation of a new "Conservation Enhanced Payment Option." I think this proposal sounds very interesting. However, I am concerned that specialty crop growers may not have the option of participating in this program. I wonder whether you would consider structuring the program in such a way that non program crop growers could also qualify?

Question 6. The 2002 Farm Bill included language in the Conservation Security Program (CSP) directing that funds may be used to help producers with air quality, pest management, and invasive species. As you know, for producers to participate in the CSP, they must be in select watersheds designated by NRCS. Are the needs of specialty crop producers being met with limited enrollment to watersheds?

Rural Development

Question 7. The Value-Added Grant Program has been quite popular among producers and in rural communities, and I see the Department proposes giving a priority to specialty crop-related applications. Under the current grant program, what percentage of funds has been awarded to specialty crop projects?

Questions submitted by the Honorable Lincoln Davis, Member of Congress from Tennessee

Question 1. How does the USDA's farm bill proposal address the threat of pests to specialty crops? Are there specific programs, either in existence, or proposed, to deal with the eradication of pests currently threatening specialty crop farms (not including research proposals)?

Question 2. Does the Secretary currently have enough authority to access necessary CCC (Commodity Credit Corporation) funds to deal with emergency pest eradication?

Question 3. Did the Secretary consult with the Administration in the creation of this farm bill proposal on the creation of a permanent, mandatory fund to deal with pest eradication that could deal with outbreaks and compensate growers who suffer great losses in times of emergency? Would such a fund be helpful?

Question 4. Mr. Conner can you please describe the Specialty Crop Research Initiative? How would it work? Who is eligible? What kind of research would be allowed?

Question 5. Mr. Conner in your written testimony you mention the risks involved in specialty crop production. Does the current crop insurance program adequately address these risks? Can you briefly describe the proposed changes?

Question 6. Can you explain in a little detail how the Private Lands Protection Program would work?

Questions submitted by the Honorable Tim Mahoney, Member of Congress from Florida

Disaster Assistance for Specialty Crop Producers

Question 1. As you know, Florida farmers and ranchers have been hit hard in the last 3 years due to the 2004 and 2005 hurricanes. We are grateful for the resources that USDA and Congress provided to Florida producers during that time, however we found that many of the existing disaster assistance programs offered by USDA are of little benefit to specialty crop growers, who have higher input and labor costs than traditional program crop producers, either due to payment limits or adjusted gross income limitation associated with these programs.

What provisions are included in USDA's farm bill proposal to insure equitable disaster assistance availability to specialty crop producers given that many of these commodities are not eligible for crop insurance such as the Non-insured Assistance Program (NAP) either because of the uniqueness of crops they grow or because of the gross income levels of the producers of these highly valuable crops?

Plant Pest and Disease Compensation

Question 2. The Animal Health Protection Act requires the Secretary to compensate livestock producers for animals that are ordered destroyed to contain an animal disease outbreak. The Plant Protection Act provides the Secretary with compensation authority for plants but does not specifically direct he/she to do so. When compensation has been provided for plant pests/diseases, the funding has come from Section 32.

Given that Section 32 is the primary funding mechanism by which USDA purchases fresh fruits/vegetables for feeding programs, is there anything in USDA's farm bill proposal that would allow for plant pest/disease compensation without utilizing Section 32 funding? If not, does USDA intend to continue providing compensation to affected producers out of Section 32 funds which may impact future fresh fruit/vegetable purchases as envisioned by USDA's farm bill proposal?

Specialty Crop Block Grants

Question 3. Deputy Secretary Conner stated in his testimony to the Subcommittee that USDA did not have a problem with the Specialty Crop Block Grant program and is moving forward in awarding the block grants as appropriated in FY 2006. If that is the case, why specifically were the block grants not included in USDA's farm bill proposal?

Questions submitted by the Honorable Dennis A. Cardoza, Member of Congress from California; on behalf of the Honorable Lynn C. Woolsey, Member of Congress from California

Question 1. In 7 C.F.R. part 205.508, the USDA regulations stipulate that site evaluations of USDA-accredited certifiers of organic products must be conducted several times between the time of initial accreditation and when they apply for renewal of their accreditation. How often have the site evaluations been performed for both domestic and foreign certifying agents?

Question 2. 7 C.F.R. states that "Site evaluations [of accredited certifying agents] shall include an on-site review of the certification agent's certification procedures, decisions, facilities, administrative, and production and handling operations certified by the certifying agent" (emphasis added). I understand that visiting a representative sample of USDA-certified organic farms overseas many times requires diplomacy and delicacy in approaching foreign governments, and that the logistics of traveling overseas poses problems of its own—but I remained concerned that USDA officials have still not conducted on-site review of foreign farms in each country from which we import USDA-certified organic products. Please provide the name of the specific foreign countries where USDA has performed on-site review of production and handling operations and the number of site visits performed within each country.

Questions submitted by the Honorable John R. "Randy" Kuhl, Jr., Member of Congress from New York

Question 1. I noticed with interest that your farm bill proposal includes several provisions for specialty crops. We grow a number of them in New York. We held a field hearing last summer in my district, and I think that many of my colleagues were surprised to learn that New York has agriculture.

What I heard during that hearing from your specialty crop growers is that they face challenges like never before. From sky rocketing land costs to a near agriculture trade deficit, ever-increasing regulations and labor shortages, it is a new era and if we are to retain our domestic specialty crop industry we need to invest more money in programs designated to help them stay competitive. That is why last session I cosponsored H.R. 6193—The EAT Health America Act, and we are getting ready to reintroduce that bill very soon.

Your proposal represents a step in the right direction, particularly the emphasis on research. However, there were some programs, that were missing, programs that I have heard a lot about from my growers. Specifically:

Your proposal would increase funding by \$50 million annually for schools to purchase fruits and vegetables. In announcing your farm bill proposal, you suggested that schools would have the option to choose whether to use these funds from among the fruit and vegetable snack program or school meal programs. However, your ac-

tual proposal appears to exclude the snack program. I hope it would be included. Can you please clarify your proposed use of this \$50 million?

Question 2. Your proposal does not include any funding for the Specialty Crop Block Grant Program. The block grant program, authorized under the Specialty Crop Competitiveness Act, provides funding to the states departments of agriculture to be used by grower groups and specialty crop producers for programs that enhance competitiveness.

In FY06, this program received \$7 million in appropriations, or just over \$100,000 for New York. Given our current budget constraints it is not realistic to expect a program like this to depend on the appropriations process each year. This is the kind of program that out to receive mandatory funding (for stability and continuity) under the farm bill. This program recognizes the diversity of specialty crops from state to state, offering maximum flexibility for projects that support research, promotion, exports, consumer health, and food safety. Could you please explain why the Administration chose not to provide mandatory funding for this program?

